

Links between Housing Markets and Labour Markets in Melbourne

This research, by Kevin O'Connor and Ernest Healy of the AHURI Swinburne-Monash Research Centre, set out to identify the links between housing markets and labour markets within the Melbourne metropolitan area. In many recent analyses of metropolitan development, the emphasis has been upon population, especially population location and density. However, the growth and location of jobs may be just as important in shaping metropolitan development. A key aim of this study was to assess the ways in which the geography of employment shapes metropolitan development.

KEY POINTS

- There are strong and stable geographic links between housing markets and labour markets within the Melbourne metropolitan area at the regional level. Most people live and work in one region – or travel to an adjoining region to work.
- People move to different parts of Melbourne to follow job opportunities and housing opportunities. Between 1986 and 1996 this residential relocation has dramatically changed the character of Melbourne's regions.
- During the 1990s Melbourne's Inner Core region became socially and economically distinctive from the rest of Melbourne – skill-rich, with expensive housing and host to a large number of new economy enterprises and their workers.
- The boom in medium-density residential development in this Inner Core region has intensified its exclusiveness. However, the explosion of residential development here has not delivered low-cost housing in the region.
- Concentrations of labour-market disadvantage were NOT found to be regions at the urban fringe, but rather older industrial areas embedded in mid-suburban regions.
- A more pro-active approach by the Victorian Government in influencing industry location and job growth could help counter the significant geographical inequalities that characterise the Melbourne metropolitan area.

BACKGROUND

The study divided Melbourne into ten regions and analysed employment in six broad industry classes, with a special interest in the number and location of jobs in two of those industry classes – the new and old economies. Customised internal migration (1991-1996) and journey-to-work data (1986, 1991 and 1996) were the main sources of data used in the analysis. The study provides a more detailed analysis of the Melbourne Core and Inner South East regions, and considers the implications of the research findings on development of the suburbs, higher density housing and metropolitan fringe development, as well as the potential for government involvement in job location.

Industry was categorised into these six classes:

New Economy – property services, business services, finance, insurance (and services to finance and insurance), communication services, printing, publishing and recorded media, photographic, scientific and electronic equipment manufacturing, medicinal and pharmaceutical manufacturing.

Mass goods and services provision – electricity, gas and water supply, sewerage and drainage services, retailing, government administration, defence, health, education, community services.

Construction – construction and construction trade services.

Mass recreation – accommodation, cafes, restaurants, motion picture, radio, television services, libraries, museums and the arts, sport and recreation

Distribution and transport – wholesaling, storage, road, rail, water, air and space transport, services to transport.

Old Economy – manufacturing of food, beverages, tobacco, textiles, clothing and footwear, wood and paper

products, petroleum, coal chemical and associated products, non-metallic mineral products, metal products, machinery and equipment.

The suburbs or areas comprising the ten regions are listed on the map below. The composition of these regions did not change markedly in the period 1986 to 1996.

FINDINGS

GENERAL

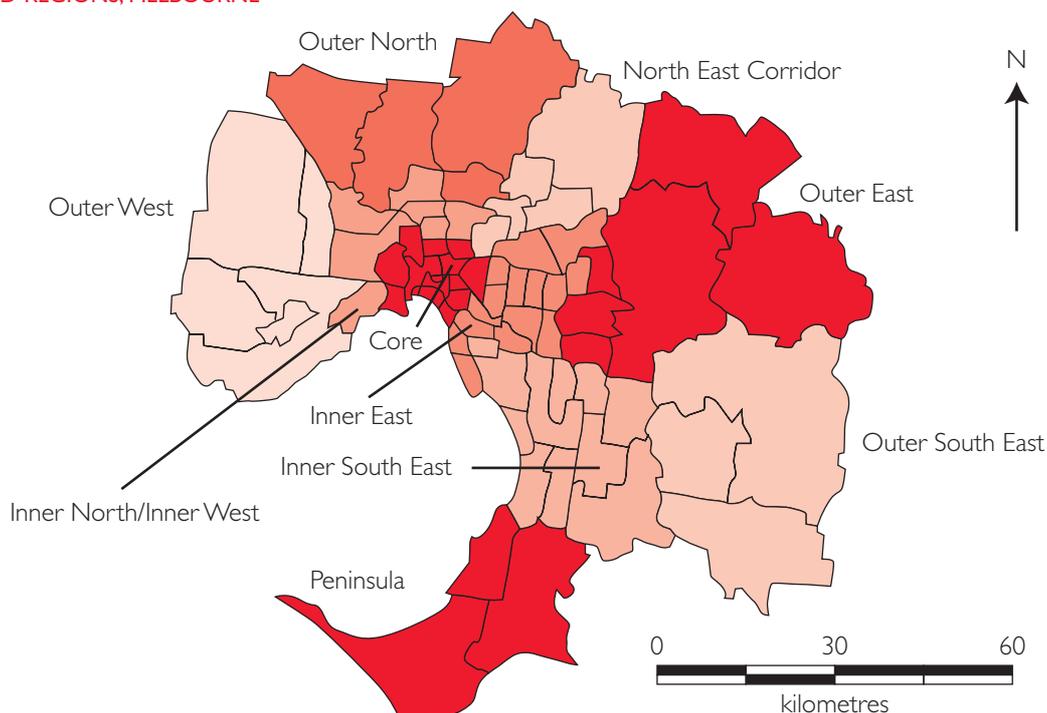
Each of the regions is relatively self contained in terms of the proportion of their workers who live in the region, and that self-containment has been stable over the period of the study. However there are significant variations: at one extreme, the Inner Core only relies on its own workforce to fill 33 % of its jobs; in the Peninsula region almost 80 % of the small number of jobs are taken by regional residents.

The main factors influencing the level of regional self-containment are each region's number of jobs (in particular the ratio of jobs-to-residents for different industry groups), its industry specialisation, measured in terms of industry over/under-representation compared to Melbourne generally, and its relative balance of part-time and full-time work.

Industry specialisation plays a strong role, not only because it provides particular types of jobs, but because perceptions of a particular region as having a *relative* abundance of a particular sort of job helps people make decisions about where to live.

Part-time workers also tend to live close to work, so if a region has many industries offering part-time work – for example those involved in Mass Goods and Services Provision – this will tend to increase the level of labour market self containment.

CUSTOMISED REGIONS, MELBOURNE



Although the links between the housing market and labour market in Melbourne's regions has been quite strong and steady between 1986 and 1996, there has been considerable change in the occupational and industrial character of the regions. The types of industries found in each region has changed, or existing industries have suffered economic rise or decline and those changes have had consequences for the regional labour market, housing market and occupational composition.

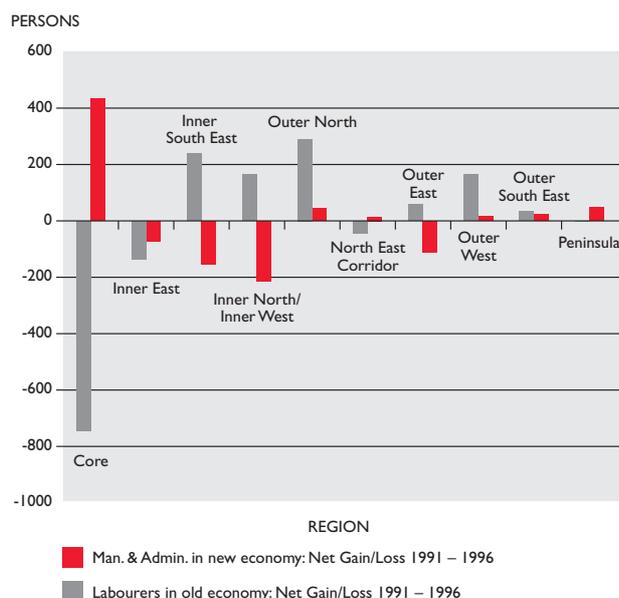
Substantial industry restructuring occurred during the study period. Most dramatic was the rise of New Economy industries: matched by a similarly dramatic decline in Old Economy industries.

New Economy industries have clustered in the Inner Core region, while Old Economy industries (and jobs) there have declined. Similarly the Inner North/Inner West region has specialised in Old Economy jobs and experienced a net gain of Old Economy workers (although overall, Old Economy jobs have declined).

Specific Old Economy localities within Melbourne's middle suburbs have been most adversely affected by these changes and experienced the greatest level of socio-economic disadvantage. This is despite conventional wisdom that suggests low-density suburban growth on the metropolitan fringe creates relative disadvantage.

People move to different parts of Melbourne to follow job opportunities and housing opportunities. Between 1986 and 1996 this residential relocation dramatically changed the character of Melbourne's regions, as industry restructuring changed the nature of regional job markets. The changes are illustrated in the following chart.

RESIDENTIAL RELOCATION OF HIGH AND LOW SOCIO-ECONOMIC WORKERS 1991-1996, MELBOURNE



During the 1990s Melbourne became increasingly separated into areas of strong employment growth and social advantage (high incomes, good services) and areas of low jobs growth and social disadvantage.

Two distinct, but overlapping patterns in jobs and housing growth have emerged from this process.

In suburban areas, residential growth is apparently still driven by the availability of relatively inexpensive housing, open space and particular lifestyle options and is linked to a narrow range of job opportunities. In Outer areas, housing often develops ahead of jobs and the industry profile of residents corresponds less well to the existing supply of jobs, which are often low-paying work in the Old Economy and in Mass Goods and Services Provision.

For the Inner Core region, the supply of jobs is greater than the number of residents in most industries. People have moved in to follow these jobs, producing a highly distinctive Core region that is increasingly separate from the remainder of the metropolitan area in a number of ways.

INNER CORE

The Inner Core accounts for 32% of all Melbourne's jobs, and 58% of Melbourne's New Economy jobs. It is the largest single labour market in the metropolitan region and has the most obvious specialisation in its job opportunities. The Core has long been job-rich, but the nature of the new industries and jobs ie New Economy and Mass Recreation (restaurants, cafes, libraries, museums, cinemas etc) has helped transform this region into somewhere highly desirable to live.

The Core has the highest proportion of its jobs in the professional and associate professional categories (38%) and the lowest proportion of its jobs in trades, intermediate production, transport and labouring, compared to other regions. In the period 1991-1996 the Inner Core gained more than 400 managers and administrators, while it lost close to 800 people who worked in Old Economy jobs.

The Core has become socially and economically distinctive from the rest of Melbourne – skill-rich, with expensive housing and host to a large number of New Economy enterprises and their workers. The supply of low-cost housing in inner areas has declined rapidly since 1995, as property values have climbed.

While these changes have been occurring, government policy has promoted medium-density, multi-unit housing. The combined effect of industry restructuring, urban consolidation policy and the provision of funds for new public and private facilities in the Inner Core (as a way of giving the city a competitive advantage globally) has been to provide a disproportionate share of new medium density housing in that region.

INNER SOUTH EAST

In contrast, the Inner South East, which extends from about 10 to 35 kilometres from the city centre, specialises in Old Economy industries and in the Mass Goods and Services sector. It accounted for 14% of the metropolitan area's jobs in 1996, the largest percentage for any suburban region. Compared to Melbourne as a whole, the Inner South East is over-represented in the Old Economy and under represented in the New Economy.

The pattern of journeys to work for the region demonstrates how the geography of jobs shapes the pattern of linkages between regions.

In the main, people living in the Inner South East also work there. But this region is also a significant job destination for people from the Core, the Inner East, Outer East and Peninsula regions. There is very little connection between this region and those in the west and north of the metropolitan area. Also notable, large numbers of workers travel from the Inner South East to the adjoining Inner East region to work, particularly in New Economy jobs that have rapidly developed in the Inner East.

Another important finding is the role that middle suburbs, such as those in this region, play in shaping residential development in more distant locations. Workers from outer suburbs are likely to have jobs in middle suburban areas; the image of outer suburban workers commuting daily to the Inner Core is not necessarily accurate. In particular, many New Economy workers appear to prefer the outer suburban lifestyle and the availability of New Economy jobs in the middle suburbs facilitates their preference. For example, of the 10,557 Peninsula residents who travel to the Inner South East to work, 44% are either managers or professionals, and these include a significant number of people working in New Economy jobs.

POLICY IMPLICATIONS

Because the geography of employment clearly does have an influence on the structure and development of the Melbourne metropolitan area, it seems sensible for policy developers to incorporate this perspective in their considerations.

Suburban development is the result of a complex set of labour market and housing market links, and therefore knowledge of the number, type and location of jobs needs to be taken into account in any decision associated with the distribution of suburban housing.

Concerns about job mix and the availability of housing may be as important in the planning of metropolitan development and the future of housing markets as housing density and population numbers.

Medium density housing development may not of itself contain "suburban sprawl" because the factors that drive people to live in outer suburban locations are not solely associated with housing availability.

A pro-active approach by government to industry or business location could help address the regional inequalities found in this study. While this would not necessarily resolve all the unemployment problems in disadvantaged areas, government efforts to locate jobs in depressed areas may alleviate the worst problems associated with concentrations of disadvantaged households.

Such an approach by government may also require a pro-active role in making affordable, low cost housing available in areas targeted for jobs growth.

FURTHER INFORMATION

For more information about this project, the following documents are available:

- Positioning Paper
- Work in Progress Report
- Final Report

See www.ahuri.edu.au

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